MRM #10

Redesigning

DoD Source Acceptance

Policies and Procedures

Acquisition Reform (AR)

Week III

http://www.dcmc.hq.dla.

MRM #10 - What is it?

TASK: **Perform a comprehensive reassessment of current source acceptance policies and procedures.**

OBJECTIVE: **Identify and eliminate policies and procedures that lead to the performance of unnecessary source inspection. Develop alternative methods of assuring quality.**

MRM #10 - Rumor Control

➢ **DCMC Walking Out - Not True - Focusing Surveillance**

 DCMC Initiative Vs DoD - DCMC Lead but DoD PAT

 Perception (From Coopers and Lybrand)
  Still Some Pockets of "Over Staffing"
  Resource Reviews In Progress

 Dr. Hamre Very Important Issue - Must Keep on
    Schedule

MRM #10 - Primary POCs

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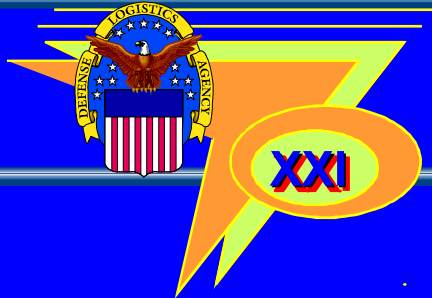
MRM #10 Goals

- **Establish Team**   **May 8, 1997**

- **Recommend Change to FAR**   **July 15, 1997**

- **Brief Major Acquisition Offices**   **August 1997**

- **Share Ideas**   **September 30, 1997**

- **Review Policies and Procedures**   **October 31, 1997**

- **Six Month Consultant Study**   **March 31, 1998**

   - **Review Results and Plan Actions**   **April 30, 1998**

- **New Items Not "Over-Coded"**   **March 31, 1998**

- **Review Source Inspected NSNs**   **Through March 31, 1999**

- **Reducing DCMC Engagement**   **On Going**

- **Team Report**   **May 31, 1999**

Develop Methodology to Institutionalize

Things That Have Happened

- Letter Signed By Acting USD (A&T) - Review all supply items, eliminate unnecessary GSI requirements.

➢ Class Deviation Signed - Allows for Good Business
Judgment
    when Requesting Source Inspection

- Supply Item/GSI Review Initiated

- Found Several Procurement Data Bases Automatically
Added Government Source Inspection - System Change
Underway

- Developed Decision Guide

- Many Briefings Throughout DoD

- Monthly Reports to Secretary Level

GSI Decision Guide

GSI DECISION GUIDE

(THIS LISTING IS NOT INCLUSIVE OR MANDATORY)
KEY FOR NO GSI = GOOD QUALITY HISTORY

GSI IS <u>NOT</u> RECOMMENDED WHEN QUALITY HISTORY IS <u>GOOD</u> PLUS ANY OF THE FOLLOWING:

OEM
Part Number Buy
10 Awards + PVT
Long Term Contracts
Non Critical + Sole Source + OEM
First Article Approved (follow on)
QSL/QML/QPL
Test/Inspect Capability at Destination
Commercial Item (Off The Shelf)
Shelf Life Items + Application
Purchases from Distributors
Prime Vendor Program
Non-complex
Low dollar value
Certificate of Conformance (CoC)
Third Party
Contractor Self Qualification
Higher Level Quality Requirement (FAR Change in process)
Overseas shipment without special transportation, packaging or handling
Extended Warranties with Repair & Replacement
Off The Shelf (Military)
Other Government Activities (i.e., GSA, FDA, DOT...)
New Contractor + Good Commercial Market Research

GSI Decision Guide

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KEY FOR GSI = NO OR UNSATISFACTORY QUALITY HISTORY
GSI IS RECOMMENDED IF THERE IS NO OR UNSATISFACTORY QUALITY HISTORY PLUS ANY OF THE FOLLOW

Flight Safety Critical
Safety Critical
Life Support Equipment (i.e., Egress, Parachute...)
Level 1 Subsafe
Navy Nuclear Propulsion
Mission Essential (excluding partial capability)
Explosive Safety
Ammunition
Critical Support Equipment
New Contractor + No Commercial Market Research
Special Packaging
Special Test Requirements
First Article/Initial or Production Lots
Poor Delivery Performance
Financial Instability
Nuclear Weapons
Nuclear Biological Chemical (NBC) Weapons/Equipment
Hazmat
Public Law (USDA, FDA, etc)
High Reliability Items
Low Quantity + Complex + Military Application
Unique Processes (i.e., Clothing & Textile, Composite...)
Application of Item (i.e., M-16...)
First Time Breakout
New Technology

DCMC Communication

- **Workforce Communication**

  - **Information Memos**

  - **DCMC Top Ten Challenge**
  - **DCMC Home Page -** http://www.dcmc.hq.dla.mil
    - **Exact location - Click on DCMC Teams, Click on Product & Manufacturing Assurance, Click on Initiatives, Click on MRM #10**

  - **POC Listing Provided**

Need to Facilitate to Successful Conclusion, be part of the Solution, and Identify/Engage in Added Value Activities.

What we have Told the Customers

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  Missing Contract Clauses - Reduces Flexibility

   Certificate of Conformance (CoC) - May be used instead of Source Inspection

   Advance Quality Techniques - Less then 5% of Contracts have Requirement

  Proactive Communication Between Everyone

  Communicate w/ Work Force - Keep Them Up to Date

  Use PAT Personnel to Answer any

Setting Quality Requirements

- Was the reg**Contractor history irrelevant**
  - Critical item = higher level QA & source ins

- Present:**Deviation approved for 2 years**
  - Good quality history as risk mitigator

- For now:
  - Review items requiring GSI

- Future:**Services/DLA working; ECD: Mar 99**
  - New items will not be "over-coded"

1.8 M--3% so far

The Pieces...
Quality Assurance

MRM # 10

MRM # 10

Setting quality requirements
- Government: Hard-wired based on item
- Commercial: Tempered by source

- **Selecting sources**
  - Government: Free & open competition
  - Commercial: Vendor base optimization

Not MRM # 10*

- **Involvement at source**
  - Government: Inspection brings involvement
  - Commercial: Involvement, not inspection

MRM # 10

- **Action when things go wrong**
  - Government: Due process required
  - Commercial: None

Not MRM # 10*

- **Feedback from customers**
  - Government: Difficult
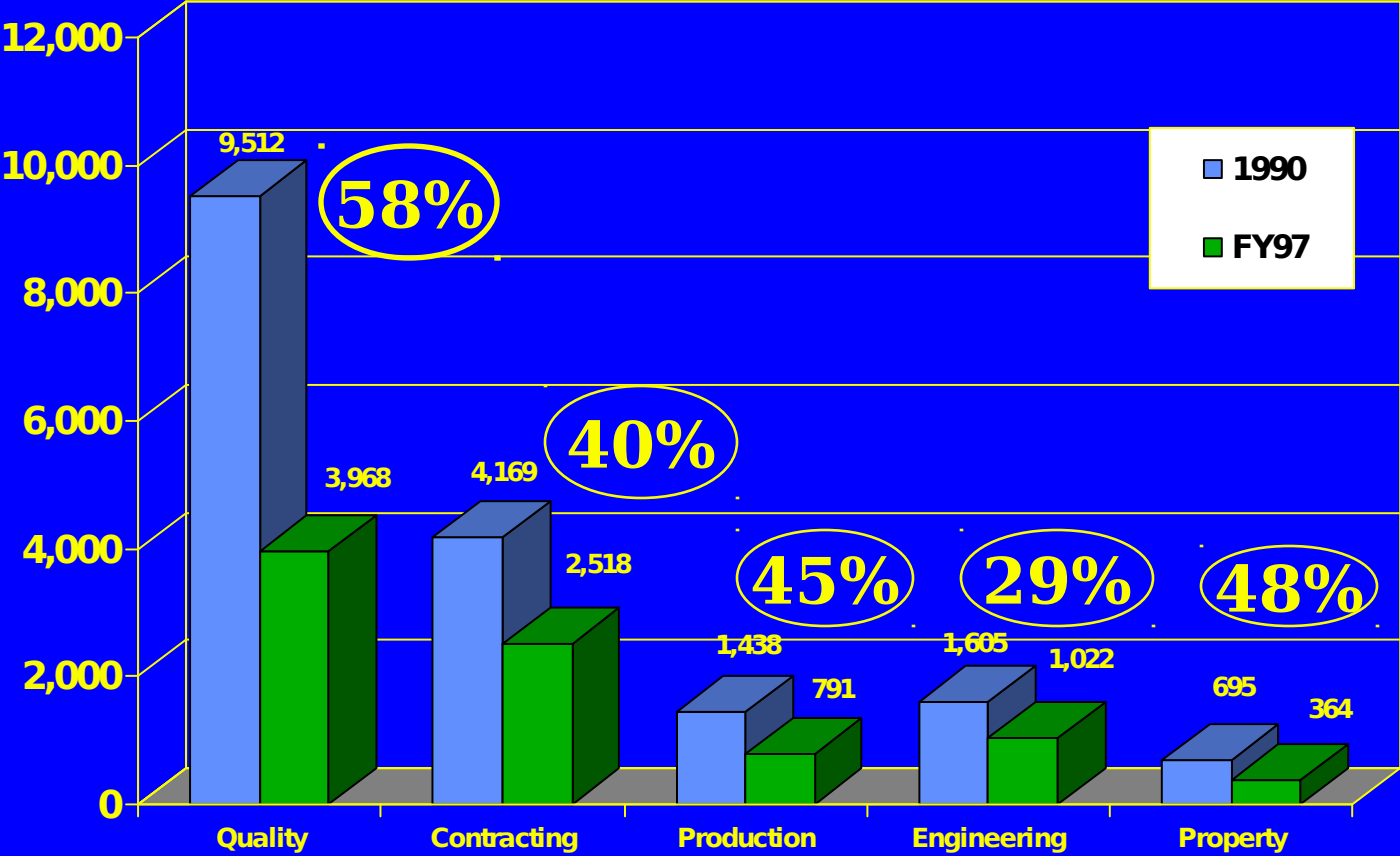 - Commercial: Immediate and robust

* At least not yet.

Not MRM #10*

Are there cheaper alternatives?

MRM #10 - What's Left

| 1st Qtr 98 | 2nd Qtr 98 | 3rd Qtr 98 | 4th Qtr 98 | 1st Qtr 99 | 2nd Qtr 99 |

Consultant Study/Actions

Evaluate "Over-Coded GSI Contracts

Review Suppl Items(30%) **Review Supply Items(60%)** **Review Supply Items(100%)**

Quarterly Status Report

Status Meetings to Defense Reform Task Force - On Going

Team Final Report

Percent of NSNs with GSI

Total NSNs			Source Inspected
Army	=	145K	93%
Air Force	=	381K	90%
Navy	=	344K	90%
Marines	=	4K	5%
DLA	=	4,000K	24% *
		4,900K	36%

* Reduced From 60%!

Number of Supply Items Reviewed

Initial DLSC Results/Findings

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DSCP:
Subsistence
Number Unchanged 3
Number Changed 170
% Changed to Destination 98.%
Total Reviewed 173

Medical
Number Unchanged 332
Number Changed 5996
% Changed to Destination 94.%
Total Reviewed 6328

DSCP Totals
Number Unchanged 335
Number Changed 6166
<u>% Changed to Destination 94.%</u>
Total Reviewed 6501

DSCC:
Construction
Number Unchanged 4,406
Number Changed 729
% Changed to Destination 14.2
Total Reviewed 5,135

Electronics
Number Unchanged 873
Number Changed 1,176
% Changed to Destination 57.4
Total Reviewed 2,049

DSCC Totals
Number Unchanged 5,279
Number Changed 1,905
% Changed to Destination 26.5

On the Horizon

- Fewer contracts requiring source inspection
- More FAR Part 12, commercial contracts
  - No/reduced surveillance
- More performance based contracts
  - Culminating events Vs. whole process
- Best industry QA practices

Summary

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➢ **On Schedule**

 Making Good Changes in Source Inspection Process

 Item Review - Good Results - More Good Data to Follow

 Good Support from Everyone

 Continue Pursuing Commercial Practices - Institutionalize

We've come a long way - We have a long way to go